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IN THE

Supreme Court of the United States

October Term, 1961

No. [redacted] 181

LAKELAND GROCERY CORPORATION,
a corporation,
Petitioner,

v.

FOOD FAIR STORES, INC.,
a corporation,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Lakeland Grocery Corporation respectfully prays that a writ of certiorari be issued to review a decree of the United States Court of Appeals for the Fourth Circuit entered March 22, 1962, hereinafter described.

OPINIONS BELOW

The opinion of the Court of Appeals is reported in 301 F. 2d 156, and a copy is reprinted in Appendix A.

The opinion of the District Judge is not reported. The opinion is copied in Appendix B.

JURISDICTION

The decree of the Court of Appeals, dated March 22, 1962, reversed the decree of the United States District Court for the Eastern District of Virginia awarding an injunction against the Respondent, and remanded the case to the District Court with directions to award an injunction against the Petitioner. By an order entered April 20, 1962, it was ordered that the mandate of the Court of Appeals be stayed provided application for a writ of certiorari be filed in the Supreme Court within the time provided by law. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

QUESTIONS PRESENTED

The questions presented are as follows:

1. Whether on appeal, in a case tried in a district court upon the facts without a jury, a court of appeals may make an original finding of fact, and based on such finding reverse the decision of the trial court, without complying or requiring compliance with Rule 52 (a) of the Rules of Civil Procedure, that in all such cases the trial court shall find the facts specially and state separately its conclusions of law thereon.

2. Whether a court of appeals is justified in reversing the decision of the trial court based on conclusions of fact made by the appellate court, solely on its view of the evidence, without finding that the conclusions of fact made by the trial judge were clearly erroneous, and without giving proper regard to the opportunity of the trial judge to judge the credibility of the witness, as required by Rule 52(a) of the Rules of Civil Procedure.

3. Whether a corporation engaged in operating a chain of retail grocery stores in widely separated localities in the United States, the nearest being in the City of Baltimore, State of Maryland, is entitled to enjoin a corporation subsequently using the identical name in the City of Norfolk, State of Virginia, notwithstanding and without disturbing the finding of fact by the trial judge, upon which in part it based its judgment for the Petitioner, that at the time Petitioner's store was opened in the City of Norfolk there were other retail grocery stores not owned by the Respondent, using the identical name in scattered localities over the United States, some of them in the State of Virginia, and that, in addition, one of them, operating stores in the District of Columbia under that name, had successfully enjoined the use of such name by the Respondent in the District of Columbia and its environs, and in the complete absence of any evidence to support a finding of fact by the Court of Appeals (not made by the trial court) that the Petitioner had deliberately copied Respondent's name and signs, upon which the Court of Appeals based its decision to reverse the decision of the trial court.

4. Whether a corporation operating a chain of retail grocery stores, its nearest store to the City of Norfolk being located in Baltimore, Maryland, with knowledge that another was using the identical name in the City of Norfolk to designate a simliar store, may wait five years, in the meantime conducting negotiations with the Norfolk user to purchase its business, thereby obtaining special knowledge of the condition of such business, and then decide to open similar stores in the City of Norfolk, under the identical name, and using identical signs, and be entitled to restrain the first user in the City of Norfolk, the Norfolk user in the meantime having devoted five years to building up its business, and having spent $250,000.00

in advertising, and in the face of the finding of fact by the trial judge, that thereby the one had sought to capitalize on the advertising and good will of the other.

STATEMENT OF THE CASE

On May 14, 1953, Petitioner, Lakeland Grocery Corporation (hereinafter referred to as "Lakeland"), opened a retail grocery store in the City of Norfolk, State of Virginia, of the type commonly known as a SUPER-MARKET, under the name "Food Fair". Shortly after the store was opened Lakeland received from the Respondent, Food Fair Stores, Inc., (hereinafter referred to as "Food Fair"), a letter stating that Food Fair was entitled to the exclusive use of the name, and threatening legal action unless Lakeland discontinued its use. Lakeland ignored this letter and continued to operate its business for approximately five years, spending $250,000.00 in advertising, and during this period there were negotiations between the parties (not consummated), looking to a purchase by Food Fair of Lakeland's store.

On January 13, 1958, Food Fair instituted this action in the United States District Court for the Eastern District of Virginia, claiming unfair competition and praying for an injunction, jurisdiction being based on diversity of citizenship. At or about the same time it opened a retail store for the sale of groceries in the City of Norfolk, using the identical name and identical signs then being used by Lakeland, and thereafter opened additional stores in Norfolk, using the same name and the same type of signs. In the five years preceding the institution of the action Lakeland had expended $250,000.00 in advertising its business and as a result of this, and of the good will it had established, had built up a large trade.

Lakeland filed a counterclaim asserting that it was entitled to the exclusive use of the name "Food Fair" within the City of Norfolk and the surrounding area, by reason of the fact that the name had acquired a secondary meaning within this area denoting Lakeland's business, and, in addition, that Food Fair was estopped to maintain the action, and prayed for an injunction against Food Fair.

Food Fair's complaint included a trademark claim, but this claim was abandoned, and when the case was tried the sole question considered by the trial court was the question of unfair competition. The case was heard by the Judge, without the intervention of a jury, advisory or otherwise, in accordance with the established equity practice, and the trial judge filed an opinion in which he combined his findings of fact and conclusions of law, as permitted by Rule 52(a). He made an additional finding of fact of stores not owned by Food Fair but using that name in 1953, copied in Appendix C. Also copied in Appendix C is a tabulation compiled by Food Fair, in response to an interrogatory, of other retail grocery stores, not owned by Food Fair, using that name on May 14, 1953, to which it had addressed letters similar to the one received by Lakeland.

At the outset of his opinion the trial judge stated that "The ultimate issue for determination is whether the Norfolk-Portsmouth area was, as of May 14, 1953, within plaintiff's (Food Fair's) reasonably probable normal area of expansion. If so, plaintiff is entitled to an injunction. If not, the defendant, Lakeland, must prevail and would be awarded injunctive relief."

The findings of fact by the trial judge may be summarized as follows: When Lakeland opened its store in the City of Norfolk, on May 14, 1953, Food Fair was a

small chain operating retail grocery stores in scattered localities in the United States. Its closest store to the City of Norfolk, operated under the name "Food Fair", was located in Baltimore, Maryland; it operated stores in the State of Virginia, in the vicinity of Washington, D.C., under the name "Food Lane", as a result of an injunction against it obtained by a rival chain, operating in the District of Columbia also using the name "Food Fair" (see *Food Fair Stores, Inc.* v. *Square Deal Market Co., Inc.*, C.A.D.C. 206 F. (2d) 482); that other retail grocery stores, not owned by Food Fair, were conducting business under the name "Food Fair", within the State of Virginia and at locations throughout the United States.

The trial judge found that Food Fair had failed to meet the burden of proof resting on it, in that it failed to establish "that the name FOOD FAIR had, as of May 14, 1953, acquired a secondary meaning in the Norfolk-Portsmouth area among purchasers or customers generally dealing with grocery stores and supermarkets", and further found that as of this date the Norfolk-Portsmouth area was not within Food Fair's zone of probable expansion, in passing on which it said that "as of May 14, 1953, plaintiff enjoyed a mere 'hope of expansion' into the Norfolk area consistent with its financial progress justifying the same."

The trial judge further found that "In 1946 plaintiff opened a store in Alexandria using the name FOOD LANE"; and that "No other store in Virginia operated by plaintiff under the name FOOD FAIR was opened until January, 1958, which was, as noted, the Norfolk store."

Based on these findings of fact the trial judge applied the principle laid down by the Supreme Court of the United States in *Hanover Star Milling Co.* v. *Metcalf*, 240

U. S. 403, and *United Drug Co.* v. *Theodore Rectanus Co.*, 240 U. S. 90, adopted and followed by the Supreme Court of Appeals of Virginia in *Rosso and Mastracco* v. *Giant Food*, 200 Va 159, 104 S.E. (2d) 776, 150 A. L. R. 1079, denied Food Fair an injunction, and awarded an injunction to Lakeland.

Food Fair appealed to the United States Court of Appeals for the Fourth Circuit. The Court of Appeals reversed the decision of the trial court, and directed that the case be remanded and an injunction issue against Lakeland. The Appellate Court took no issue with the principles of law applied by the trial court, but held that these principles should not be strictly applied based on its finding of fact that Lakeland had "deliberately and knowingly appropriated the plaintiff's name for its own business and actually imitated the character and style of the signs by which the plaintiff's business was made known to the public." *No such finding was made by the trial judge.*

The Court of Appeals, in no instance, ruled that the findings of fact upon which the District Court based its conclusions of law were "clearly erroneous." It contented itself with reaching different conclusions on the basis of which it reconciled its decision with the cases above referred to, establishing the governing principles of law. It first dealt with the finding of the trial court "that the plaintiff had not established either that its name had acquired a secondary meaning in the area indicating the business operated by the plaintiff or that at the time that the defendant opened its store the area was within the region into which the trade of the plaintiff might reasonably be expected to extend in the natural expansion of its business". It stated that it reached a different conclusion.

without finding that the conclusion reached by the trial court was "clearly erroneous" (Appendix A, Page 10).

The approach of the Court of Appeals in deciding the issues of fact appears in the following passage from its opinion (Appendix A, Page 13-14):

> "In the instant case we do not have to pass on the relevant weight of the testimony as to the elements which enter into the problem. The existence of all of the necessary elements at the time of the infringement were proved by substantial evidence. It was shown that the plaintiff's business and trade name were known to a substantial number of persons in the Norfolk-Portsmouth area and that the probability of an expansion of the plaintiff's business into the area existed and that the defendant deliberately and knowingly appropriated the paintiff's name for its own business and actually imitated the character and style of the signs by which the plaintiff's business was made known to the public. Under this combination of circumstances we reach the conclusion that the plaintiff's name was entitled to protection and that the defendant should be enjoined from the use of it in the future.

REASONS FOR GRANTING THE WRIT

The basic question presented involves the division of functions between district courts as triers of fact, and the courts of appeal in reviewing conclusions of fact reached by the trial courts, as formulated by Rule 52(a) of the Rules of Civil Procedure. It is respectfully urged that in this case the Court of Appeals *ex mero motu*, has raised and decided an issue of fact, and predicated on its finding, reversed the trial court, and in addition has decided questions of fact contrary to findings of fact by the trial court, based on its independent conclusions from

the evidence, instead of confining itself to reviewing the findings of fact by the trial judge, in conformity with the requirement of Rule 52(a), that "*Findings of fact shall not be set aside unless clearly erroneous and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.*" As a result of this failure to observe the restrictions imposed by the Rule, the Petitioner has been deprived of a fair trial, and its chief executive and principle proprietor has had his character blackened by the finding by the Court of Appeals that Petitioner "*deliberately and knowingly appropriated the plaintiff's name for its own business and actually imitated the character and style of the signs by which the plaintiff's business was made known to the public*" (see opinion, Appendix A, page 13-14).

Predicated on this finding the Court of Appeals held that the principles applicable in cases of unfair competition, as established by the leading cases above referred to, should not govern the decision of the instant case.

The trial court made no such finding, its sole reference bearing on the subject being the statement in its opinion that "Lakeland's President, Harold Eisenberg, testified that he was well aware of the name FOOD FAIR and plaintiff's chain of supermarkets at the time Lakeland opened its food store on May 14, 1953, although he insists that the name FAIR was suggested by the name FURNITURE FAIR adopted by a store a short distance away from Lakeland's supermarket" (Appendix B. Page 18-19). Further in the opinion, referring to the signs used by Lakeland, the trial court said: "Not overlooked is the fact that Lakeland has adopted a style and size of lettering on its signs which is substantially identical to plaintiff's signs as they existed in 1953. *On the other hand it should be*

observed that the lettering is of standard block design. If this design or size of the sign had any meaning in this area in 1953 it could, of course, be construed as an effort to do some act inimical to plaintiff's interest for the purpose of obtaining the benefit of the reputation of plaintiff's goods, or to forestall the extension of plaintiff's trade, but such does not exist in the present controversy." (Appendix B, Page 27-28). Italics added.) Overlooked by the Court of Appeals was the fact that no inference could be drawn (assuming that Harold Eisenberg's testimony should be disbelieved) that Lakeland copied Food Fair's name rather than the name of its competitor in the District of Columbia, nearer to the City of Norfolk by forty miles and located in the Nation's Capital, a much more likely choice.

In the preparation for appeal it did not occur to counsel for Petitioner that the issue which ultimately proved decisive was lurking in the background of the case, and when counsel in the midst of argument was interrupted by a question from the Bench indicating disbelief in the story told by Petitioner's main witness explaining how the name was selected by him, the result was disconcerting to say the least. Subsequent questions from the Bench as the argument proceeded indicated preoccupation with this point and little interest in the questions which counsel had briefed and were attempting to argue. There was an adequate answer to the question which occupied the Court, but no time for the reflection needed to produce the answer. Another indication of a failure of the Court of Appeals to have an adequate factual background for drawing conclusions of fact is the overlooking of the nature of the retail grocery business, and the apparent failure to realize that the business of a retail grocery store is strictly local. How could it possibly be assumed that a

retail grocery store in Norfolk is in actual competition with a similar store in Baltimore, an assumption implicit in the argument used by the Court of Appeals to sustain its conclusion.

The remarks of Mr. Justice Jackson in delivering the opinion of the Court in *United States* v. *Yellow Cab Co.*, 338 U.S. 338, are particularly appropriate here (beginning on page 340):

> "These were the chief fact issues in a trial of three weeks' duration. The Government relied in large part on inferences from its 485 exhibits, introduced by nine witnesses. The defendants relied heavily on oral testimony to contradict those inferences. The record is before us in 1,674 closely-printed pages.
>
> "The Government suggests that the opinion of the trial court 'seems to reflect uncritical acceptance of defendants' evidence and of defendants' views as to the facts to be given consideration in passing upon the legal issues before the court.' We see that it did indeed accept defendants' evidence and sustained defendants' view of the facts. But we are unable to discover the slighest justification for the accusation that it did so 'uncritically.' Also, it rejected the inferences the Government drew from its documents, but we find no justification for the statement that it 'ignored' them. The judgment below is supported by an opinion, prepared with obvious care, which analyzes the evidence and shows the reasons for the findings. To us it appears to represent the considered judgment of an able trial judge, after patient hearing, that the Government's evidence fell short of its allegation — a not uncommon form of litigation casualty, from which the Government is no more immune than others.

Only last term we accepted the view then advanced by the Government that for triers of fact totally to reject an opposed view impeaches neither their impartiality nor the propriety of their conclusions. We said, 'We are constrained to reject the court's conclusion that an objective finder of fact could not resolve all factual conflicts arising in a legal proceeding in favor of one litigant. The ordinary lawsuit, civil or criminal, normally depends for its resolution on which version of the facts in dispute is accepted by the trier of fact . . .' Labor Board v. Pittsburgh Steamship Co., 337 U.S. 656, 659.

"Rule 52, Federal Rules of Civil Procedure, provides among other things:

> "'Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witness.'"

"Findings as to the design, motive and intent with which men act depend peculiarly upon the credit given to witnesses by those who see and hear them. If defendants' witnesses spoke the truth, the findings are admittedly justified. The trial court listened to and observed the officers who had made the records from which the Government would draw an inference of guilt and concluded that they bear a different meaning from that for which the Government contends.

"It ough to be unnecessary to say that Rule 52 applies to appeals by the Government as well as to those by other litigants. There is no exception which permits it, even in an antitrust case, to come to this Court for what virtually amounts to a trial de novo on the record of such findings as intent, motive and design. While, of course, it would be our duty to correct clear error, even in findings of fact, the Government has failed to establish any greater

grievance here than it might have in any case where the evidence would support a conclusion either way but where the trial court has decided it to weigh more heavily for the defendants. Such a choice between two permissible views of the weight of evidence is not clearly erroneous.

LACHES AND ESTOPPEL

An important question urged in argument before the trial court was whether or not the Respondent was estopped by its inaction for a period of nearly five years after writing a letter of protest when the Petitioner opened its store in Norfolk in 1953. The record shows that in 1956 Food Fair inquired of Lakeland what it would take for its business. It received a prompt reply, but nothing further happened until the institution of this action in 1958, when it reopened negotiations which proceeded to the point of drafting several contracts which were never consummated. Mr. Marcus, chief witness for the Respondent, stated that Food Fair had no interest in the fact that a rival retail grocery concern was operating in Norfolk under the name "Food Fair", unless it grew to substantial proportions. In other words, the Respondent was content to stand by and permit Lakeland to expend in excess of $250,000. in advertising, and to devote nearly five years of intensive efforts in building up good will before asserting in a legal proceeding the right to exclusive use of the name. An important case discussing this phase of the doctrine relating to unfair competition, cited with other authority to the trial court, and elaborated in the brief filed with the Court of Appeals, is *Anheuser-Busch*, v. *DuBois Brewing Co.*, 175 F. 2d 370, C.C.A. 3rd, 1949, which involved a controversy between brewers over the right to the use of the name "Budweiser" as a trade-mark for beer. It was

held in this case, in which the authorities are extensively reviewed, that the originator of the name was estopped to claim the right to exclusive use where it stood by and permitted the second user to build up a business in another locality, under the same name, it appearing that the second user did not have the fraudulent intent of profiting from the other's good will. In this case the plaintiff had instituted action to restrain the use which it later discontinued. After a lapse of some years it brought a second action. In holding that the plaintiff was estopped by its laches the Court said this, on page 375 of the opinion:

> "In Proctor & Gamble Co. v. J. L. Prescott Co., 3 Cir., 1939, 102 F. 2d 773, at page 781, certiorari denied, J. L. Prescott Co. v. Proctor & Gamble Co., 308 U.S. 557, 60 S. Ct. 80, 84 L. Ed. 468, this court expressly approved of a statement in Valvoline Oil Co. v. Havoline Oil Co., D.C.S.D. N.Y. 1913, 211 F. 189, 195, which we deem particularly apropos to the case at bar: 'But it cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right, to wait to see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished—especially in a case where the most that can be said is that the trademark infringement is a genuinely debatable question.' This same principle was recognized by the Supreme Court of Pennsylvania in Consolidated Home Specialities Co. v. Plotkin, 1947, 358 Pa. 14, 30, 55 A. 2d 404, 412, when it said, 'If the owner of a tradename acquiesces so long in the use of that name or in a name strikingly similar thereto that the public has in general become aware of the other's appropriation of that name, and is therefore not deceived, such owner may in a proper case be treated as having abandoned his one-time property right in that name.' See also Prince's Metallic Paint Co. v. Prince Mfg. Co., 3 Cir., 1893, 57 F. 938, 943-944.

"We have said that Anheuser should be estopped from asserting its claim to exclusive use of the word Budweiser. Any doubt whether mere prolonged inaction of the Association and Anheuser would of itself be sufficient to warrant the invoking of this principle is dispelled by the filing and voluntary discontinuance of the 1908 suit against DuBois. If the Association did not want to lull DuBois into a false sense of security, the Association should have followed up the discontinuance of the suit with some unambiguous action asserting its claim against DuBois."

The trial court dealt with this phase of the case very briefly. On Page 28 of Appendix B, it said "There is little need to consider Lakeland's contention that plaintiff is estopped by the doctrine of laches. The doctrine of estoppel would only preclude plaintiff's rights to an accounting if it prevailed." In other words, on an admitted state of facts, the trial court concluded as a matter of law that the principle of estoppel by laches was not applicable. Of course this failure to go further is understandable in the light of the trial court's finding for Petitioner. However, Petitioner did not abandon this point on appeal. It preserved its rights in this respect and devoted a substantial part of its brief in the Court of Appeals to supporting its contention on this point. The Court of Appeals made no references to the point whatsoever, and it is respectfully submitted that when it decided to reverse the decision of the District Court it should have considered this question of law clearly raised before it. In this respect as well Petitioner has not been accorded a fair trial.

CONCLUSION

It is respectfully submitted that this case was correctly decided by the trial court on factual issues, and that the Court of Appeals, disregarding the restrictions imposed by Rule 52(a), tried the case *de novo* on the facts, and on the basis of findings made on appeal reversed the trial court. Specifically, the errors complained of are as follows:

(1) In reviewing testimony heard *ore tenus* by the trial judge, the Court of Appeals reached directly opposing conclusions of fact, without finding any conclusion of fact made by the trial judge "plainly erroneous", and indeed while expressly disclaiming the necessity to pass upon the weight of evidence with respect to the questions of fact involved.

(2) It found as a fact that the Petitioner had deliberately copied the name and signs of the Respondent when no such finding had been made by the trial court, without evidence in the record, direct or circumstantial, to support such finding. Expressly based on this finding, it refused to apply principles of law which otherwise would have impelled affirmance of the decision of the trial court. As a result of this finding of fact the President and principal stockholder of the Petitioner has been branded as guilty of fraudulent conduct and his reputation irreparably damaged.

(3) The consequence of injecting this issue of fact while the case was being argued on appeal was that Petitioner did not have the opportunity to make a reply. An opportunity for a little reflection would have enabled counsel to come up with an adequate answer to the Court's question.

(4) Whether or not Respondent was estopped by its laches was an independent defense which the Petitioner was entitled to have the Court of Appeals consider and decide. There was no such consideration, or at least the opinion fails to disclose that consideration was given to the point.

As a result of the failure of the Court of Appeals to function as an appellate court, within the framework of Rule 52(a) of the Rules of Civil Procedure, the Petitioner has been deprived of its right to a fair and impartial trial.

The writ of certiorari should be awarded.

Respectfully submitted,

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